

EXHIBIT 1

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Paper 9
Date: November 16, 2020

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

PHILIP MORRIS PRODUCTS, S.A.,
Petitioner,

v.

RAI STRATEGIC HOLDINGS, INC.,
Patent Owner.

IPR2020-00919
Patent 9,901,123 B2

Before JO-ANNE M. KOKOSKI, ELIZABETH M. ROESEL,
MICHELLE N. ANKENBRAND, *Administrative Patent Judges.*

PER CURIAM

DECISION
Denying Institution of *Inter Partes* Review
35 U.S.C. § 314

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I. INTRODUCTION

Philip Morris Products, S.A. (“Petitioner”) filed a Petition to institute an *inter partes* review of claims 27–30 (the “challenged claims”) of U.S. Patent No. 9,901,123 B2 (“the ’123 patent,” Ex. 1001). Paper 2 (“Pet.”). RAI Strategic Holdings, Inc. (“Patent Owner”) filed a Preliminary Response. Paper 6 (“Prelim. Resp.”). With Board authorization, Petitioner filed a reply addressing certain issues raised in the Preliminary Response (“Reply,” Paper 7), and Patent Owner filed a Sur-reply (“Sur-Reply,” Paper 8).

Institution of an *inter partes* review is authorized by statute when “the information presented in the petition . . . and any response . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314 (2018); *see* 37 C.F.R. § 42.4 (2020). Upon consideration of the Petition, the Preliminary Response, the Reply, the Sur-Reply, and the evidence of record, we exercise our discretion under 35 U.S.C. §314(a) and deny institution of an *inter partes* review.

A. Related Proceedings

The parties indicate that the ’123 patent is involved in the following proceedings: (1) *RAI Strategic Holdings, Inc. v. Altria Client Services LLC*, No. 1:20-cv-00393-LO-TCB (E.D. Va.), and (2) *Certain Tobacco Heating Articles and Components Thereof*, U.S. International Trade Commission, Investigation No. 337-TA-1199. Pet. 5–6; Paper 5, 2.

B. Real Parties-in-Interest

Petitioner identifies Philip Morris Products, S.A., Philip Morris International, Inc., Altria Client Services LLC, and Philip Morris USA as the real parties-in-interest. Pet. 5. Patent Owner identifies RAI strategic

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Holdings, Inc., R.J. Reynolds Vapor Company, RAI Innovations Company, and R.J. Reynolds Tobacco Company as the real parties-in-interest.

Paper 5, 1.

C. The '123 Patent

The '123 patent is titled "Tobacco-Containing Smoking Article," and relates to smoking articles "that produce aerosols incorporating components derived from, or provided by, tobacco," where the aerosols "are not necessarily produced as a result of burning of tobacco." Ex. 1001, code (54), 4:45–49. Instead, the smoking articles produce such aerosols "as a result of the application of heat upon tobacco or materials that are in contact with tobacco." *Id.* at 4:49–52. The '123 patent explains that the smoking articles "produce visible aerosols that are 'smoke-like' in nature, and exhibit many of the sensory characteristics associated with those types of smoking articles that burn tobacco." *Id.* at 4:52–55.

Figure 3 of the '123 patent is reproduced below.

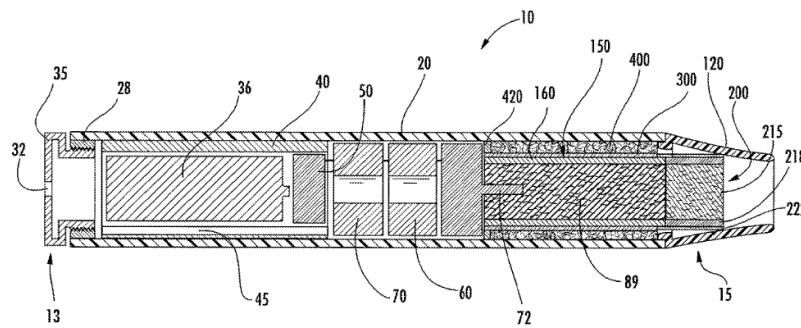


FIG. 3

Figure 3 depicts a longitudinal cross-sectional view of one embodiment of an electrically powered, tobacco-containing smoking article described in the '123 patent. Ex. 1001, 8:31–32. Smoking article 10 includes outer housing 20 that is "generally tubular in shape." *Id.* at 19:46–49. Outer housing 20 "possesses a distal end 13 and a mouth-end 15," and "is adapted

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to incorporate a type of cigarette 150” that includes tobacco segment 89 and wrapping material 160. *Id.* at 27:36–44. Heating elements 70, 72, and 300 are powered by power source 36 and controlled by electrically powered control components 50. *Id.* at 27:57–66. A portion of heating element 72 is elongated and extends into tobacco segment 89 to “be in close contact with a significant amount of substrate and aerosol-forming material within the tobacco.” *Id.* at 28:36–43. “[S]ensor 60, in concert with certain control circuitry within the controller 50, is preferably part of a puff-actuated controller adapted for regulating current flow through one or more of the resistance heating elements.” *Id.* at 20:63–67.

The ’123 patent explains that, during use, “[a]ir is drawn through the air passageways or openings 32 in the cap 35 located at the distal end 13 . . . and into the outer container 20.” *Id.* at 29:2–5. The drawn air passes “through air passageway 45 that extends along the length of the power source 36 and the electronic controls components 50,” through an air passageway area within first heating element 70, air flow sensing region 60, second heating element 72, and cigarette 150, and into mouth-end piece 120. *Id.* at 29:5–11. Heat generated by heating elements 70, 72, and 300 acts on the tobacco to volatilize components thereof and cause the components to be entrained in the drawn air. *Id.* at 29:11–14. The ’123 patent teaches that “[t]ypically, during relevant periods of use, those heating elements can provide surface region temperatures of at least about 200° C., and often at least about 300° C. Those temperatures typically do not exceed 600° C., often do not exceed about 500° C., and frequently do not exceed about 400° C.” *Id.* at 29:18–23.

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